

TRANSMITTAL SLIP		DATE	9/11
TO: ADDI			
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FROM: DI/MPS/RPMC			
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DDI- 04282X/86

15 SEP 1986

MEMORANDUM FOR: Director of Logistics

FROM: John L. Helgerson
Associate Deputy Director for IntelligenceSUBJECT: Coopers and Lybrand Report: "A Study of the
CIA's Procurement Function, July 31, 1986"

1. This memo responds to the DDA's 18 August request for our reaction to subject report.

2. We were impressed with the thoroughness of this study, the broader view it provided of the Agency's procurement process, and with its account of the DI's role in this process. We were interested, for example, in the finding that the DI's contracting dollars, workload, and staffing had all advanced apace by about one-third during the period FY 1983 through 1985; we had had the impression that contracting actions were running substantially ahead of staffing. We also were struck by the statement that the Agency's procurement personnel are markedly younger, better educated, higher paid, and carry a far greater caseload than their peers elsewhere in government. Certainly, I am impressed with the quality of the officers you have provided for the DI Contracting Team.

3. Many of the issues raised in the Coopers and Lybrand Report are properly of more concern to your directorate and the DS&T than to the DI. Accordingly, my responses to the 39 recommendations scattered through the report are limited to those 11 in which the interests of the DI are clearly involved. Nevertheless, I believe it is appropriate for me to comment on the overreaching issue of the Agency's organization for procurement which the report's authors see as the root cause for many of the "imbalances" they perceive in CIA contracting.

4. The study contends that the present procurement structure results from a deliberate policy to move away from centralized control in favor of providing localized procurement services to each of the Agency components deeply involved in contracting. It is evident to me that this directorate has been well served by decentralization and that the establishment of a DI Contracting Team in 1977 was none too soon, given the sharp

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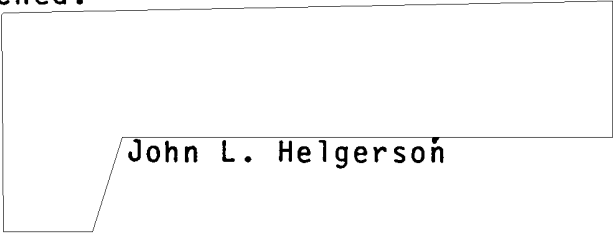
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**SUBJECT: Coopers and Lybrand Report: "A Study of the
CIA's Procurement Function, July 31, 1986"**

rise in our procurement of external analysis and ADP services that began in the early eighties. Consequently, I would not favor changes to the procurement structure that would have the effect of diminishing the human resources or operational autonomy of our contracting effort.

5. Notwithstanding this position, I am persuaded by the points Coopers and Lybrand make about the lack of central management and policy guidance for the several, disparate contracting centers and of the dangers inherent in this arrangement in an era of increased Congressional and public scrutiny of federal procurement practices. It strikes me that the Agency can afford to have its cake and eat it too by accepting the recommendation to establish a Procurement Executive who could provide overall direction for the contracting system and be a single point of contact for the DCI on procurement policy and procedures. Whether this executive would better serve the Agency's dual interests in centralized oversight and decentralized operations by being situated in the Office of Logistics or at some other echelon, I leave to others whose interests would be more deeply affected.

6. I appreciate the opportunity to review and comment on this important report. My responses to the DI-related recommendations are attached.



John L. Helgersøn

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Attachment:
As stated

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DI RESPONSES
To Selected Recommendations of the Coopers and
Lybrand Report on the CIA Procurement System

Recommendation #5: Concur. While the majority of DI contracts fall below the threshold necessitating ACRB review, we agree with the apparent thrust of this recommendation, i.e., to strengthen the Board's authority by reducing the frequency of requests to bypass its review.

Recommendation #6: Disagree. A two-step ACRB review process would double the Board's workload while suggesting a lack of confidence in the Agency's contract negotiators to carry out the Board's instructions based on its initial review.

Recommendation #12: Concur. Since 1984, the DI Contracting Team has had the benefit of a Contracts Support Assistant whose work is focused on contract administration as well as negotiation. Her contributions relative to cost (GS-9 position) have been substantial and each Contracting Team should have comparable staff support.

Recommendation #18: Disagree. We see merit in the present arrangement and, in any case, would be loath to surrender the DI billets now being used by our Contracting Team. If, for example, Congressional support for external analysis eroded and the Team had to be reduced, we would still want control of these billets so that they could be readily redeployed to other purposes.

Recommendation #20: Concur. On-the-job trainees are presently assigned to the DI Contracting Team, and so far each has been a positive contributor to the productivity of the unit. Our hope and expectation is that these trainees will continue to be assigned for a reasonable period, e.g., about two years, so that their knowledge will be substantially advanced and that the DI will receive an adequate return on its investment in training.

Recommendation #21: Concur. Given the great shortage in procurement personnel, any administrative actions that can be taken to eliminate unnecessary barriers to recruiting and retention should be implemented.

Recommendation #25: Concur. Contracting Officers in the DI are too often treated only as technicians whose role is limited to contract negotiation and administration who enter the contractual process only when these services are required. While substantive control of an external analysis project must remain with the responsible DI analyst and his Office Director, we could support an Agency-wide policy which advocated earlier involvement by Contracting Officers as valued business advisors. Such involvement could lead to considerable savings in time, money, and aggravation.

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Recommendation #27: Disagree. We believe the present performance appraisal system is working well both for the assigned Contracting Team Leaders and for the Directorate. Even under the revised organizational structure proposed in the report, the senior procurement professional in O/L would not have the day-to-day contact with the Contracting Team Leader that would provide an adequate basis for evaluation. We are sympathetic to the idea of strengthening the evaluation of technical job performance elements, a function which DI supervisors are admittedly less well prepared to perform than their O/L counterparts. On balance, however, we see the lack of improvement in this arena as an unfortunate but necessary cost of decentralization and one that is, in fact, doing no real harm to the Contracting Team Leaders.

Recommendation #28: Concur with qualification. It is increasingly the norm for DI Offices that analysts not assume the responsibilities of a COTR without first having completed COTR training. At this time, [] DI analysts have completed such training. Because we are typically running [] contracts a year, immediate implementation of this recommendation would cause a distinct hardship. Nevertheless, we agree with the thrust of the recommendation and request its phased implementation. We also believe COTR training should continue to be tailored to the needs of each directorate.

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Recommendation #31: Concur with qualification. The importance of achieving the goals of the Competition in Contracting Act (CICA) warrants the inclusion of instances of success in the PARs of Contracting Officers. As for "program personnel," whom we take to mean analysts and managers acting as COTRs, it is the policy of the DI to leave the reporting of contracting activities in PARs to the discretion of the Office Directors.

Recommendation #32: Concur. As noted above, a billet for a Contract Support Assistant is already assigned to the DI Contracting Team; each incumbent should have the requisite training in contract administration.

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12 September 1986

MEMORANDUM FOR: Associate Deputy Director for Intelligence

VIA:

[redacted]
Chief, Management, Planning & Services Staff

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FROM:

[redacted]
Chief, DI Resource Planning & Management Center, MPSS

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SUBJECT: Draft Response to the Director of Logistics on
the Coopers and Lybrand Report on Procurement

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1. The attached memorandum is proposed for your review and signature. The recommended DI responses have been coordinated with [redacted] Chief of our Contracting Team. I also have attached a complete set of the Coopers and Lybrand recommendations which prompted the responses in the draft memorandum.

2. The due date for our response to John Ray is 15 September. Please call me [redacted] if any additional information is required.

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Attachment:
As stated

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RECOMMENDATIONS

RECOMMENDATION #1:

The Director of Logistics should designate an Associate Deputy Director of Procurement as the Procurement Executive for the Agency who would:

1. Have line authority over all procurement units.
2. Serve as Chairman of the ACRB and other key procurement panels and policy boards.
3. Function as spokesman for the Agency regarding procurement issues requiring interaction with representatives of outside organizations.

RECOMMENDATION #2:

All Agency procurement authority should flow from the Director of Central Intelligence to the Director of Logistics, and then be delegated to the Procurement Executive. The Procurement Executive should then issue written redelegation of contracting authority.

RECOMMENDATION #3:

The Director of Logistics should permanently staff the Procurement Management Staff (PMS) with sufficient personnel to enable it to meet its responsibilities. These

responsibilities should include:

- Preparing Agency-wide procurement policies and procedures.
- Disseminating these policies and procedures to all procurement units.
- Enforcing these policies and procedures through the oversight and monitoring of all procurement activities.
- Expanding the current management information system to provide useful, timely information to managers.
- Coordinating all recruitment, orientation, internship, procurement-related training, and career management activities for all Agency procurement personnel.
- Serving as staff to the Procurement Executive regarding ACRB activities.

The PMS should function solely as staff support to the Procurement Executive and no longer be assigned line management authority over any Agency contracting units.

RECOMMENDATION # 4:

The Director of Logistics should designate the Procurement Executive as chairman of the ACRB.

RECOMMENDATION #5:

The ACRB should review all Agency contracts above designated dollar thresholds before award. Waivers from Board approval for applicable contracts should not be granted. If necessary, provisions should be developed to provide for

post-award review in cases where expediency is in the best interest of the Agency.

RECOMMENDATION #6:

A two-step ACRB review process should be implemented providing for:

- Initial approval of sole-source requests above designated dollar thresholds; and
- Final review and approval of all proposed competitive and noncompetitive contracts.

Proposed contracts above designated dollar thresholds should be brought before the Board for review after negotiations and prior to award.

RECOMMENDATION #7:

Expand the purchasing authority and staffs of the OSO, OTS, and OC(COMMO) contracting teams to enable them to purchase items now purchased within the Procurement Division.

RECOMMENDATION #8:

Reorganize the remaining workload of the Procurement Division into two units: A General Purchases team and an Agency Contracts team. The Agency Contracts team would be responsible for all production and services, ADP, and other

purchases not accomplished by the General Purchases team or by decentralized contracting teams. The focus of the Agency Contracts team should include establishing negotiated requirements contracts for the purchase of items that are regularly ordered throughout the Agency.

RECOMMENDATION #9:

Establish a contracting team within the Office of Information Technology to coordinate and manage the purchases being made by this rapidly evolving office.

RECOMMENDATION #10:

Change the title of the current Chief, Procurement Division, to Chief, Procurement and Contracts Division. Establish formal line management authority of this position over the General Purchases team, the Agency Contracts team, and the contracting teams now serving [redacted] DDI, DDO, the Office of Communication (COMMO), HOME, [redacted]

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RECOMMENDATION #11:

The Chief, Procurement and Contracts Division should be supported by both a contracts review staff and a contracts

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settlement staff dedicated to the procurement units reporting to the Chief.

RECOMMENDATION #12:

Each of the procurement teams throughout the organization should have sufficient contract support staff to accomplish contract administration duties and responsibilities.

RECOMMENDATION #13:

Restructure the Chief/PMS/DDS&T position to function as the Chief of the Science and Technology Contracts Division, reporting directly to the Agency Procurement Executive and exercising line management authority over all DDS&T Agency procurement activity.

RECOMMENDATION #14:

Staff the Science and Technology Contracts Division to assist in those matters which require the Division Chief's review/approval and establish a settlement staff dedicated to serve the DDS&T teams.

RECOMMENDATION #15:

Restructure the OD&E Contracting Team Chief position to function as the Chief/National Contracts Division with line management authority over all OD&E procurement activity while reporting directly to the Agency Procurement Executive.

RECOMMENDATION #16:

Staff the National Contracts Division to assist in those matters which require the Division Chief's review/approval and strengthen the settlement staff dedicated to serve all OD&E teams.

RECOMMENDATION #17:

Elevate the OD&E subteams to full team status and designate team chiefs as contracting officers with full signatory authority.

RECOMMENDATION #18:

All procurement positions (including the division chiefs, the team leaders and contracting officers on the decentralized teams, and all contract administration support and settlement staff) should be Office of Logistics billets.

RECOMMENDATIONS

RECOMMENDATION #19:

The Procurement Executive should designate a recruitment expeditor in the PMS. This individual would coordinate all recruitment efforts and expedite security-related processes. This individual would also be instrumental in coordination of the intern program. A select group of journeymen contracting officers should actively recruit at colleges, universities, and targeted procurement organizations to attract more members to the procurement workforce.

RECOMMENDATION #20:

We support the initiatives taken to provide a structured trainee program and the combination of on-the-job training (OJT) and formal training for new recruits at entry through mid-levels. The Agency should extend trainee OJT to all the teams rather than limiting it to the Procurement Division. In addition, the Agency should invest in the development of Agency-specific procurement training modules.

RECOMMENDATION #21:

The Agency should consider waiving identified personnel barriers (e.g., loss of in-grade seniority for other agency transfers). These are obstacles to successful recruitment and retention of procurement professionals.

RECOMMENDATION #22:

The Agency requires [redacted] new positions in the next 12 months and [redacted] in the following year to accomplish the improvements to the procurement function we are suggesting in this report. Recruitment should focus at the entry- through mid-levels to meet the critical need for additional staff.

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RECOMMENDATION #23:

Agency procurement workload indicators and standards should be established, monitored, and used to make management decisions.

RECOMMENDATION #24:

The quality and importance of CONIF data should be upgraded to meet the clear need for good management information.

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RECOMMENDATIONS

RECOMMENDATION #25:

The Agency should strengthen its policy regarding the role contracting officers are to play in the acquisition process. This policy should stress the role of contracting officers as valued business advisors to program managers and be promulgated throughout the Agency.

RECOMMENDATION #26:

The Agency should reevaluate the emphasis it places on the quick award of contracts and adopt broader criteria for assessing the responsiveness of its procurement system. The ultimate effectiveness of the system should be judged by its success in delivering satisfactory products on time and at reasonable cost.

RECOMMENDATION #27:

The Performance Appraisal Review (PAR) process for the decentralized contracting team leaders should be revised to allow a two-part formal evaluation. Review of their technical job performance elements should be performed by the senior procurement professional with line management authority. (Under our recommended organization structure, this would be one of the three Division Chiefs.) Review of their program

contribution should be performed by a senior program official.

RECOMMENDATION #28:

The Agency should establish a policy that all personnel assigned COTR responsibility must participate in a formal training program to prepare them for assuming this responsibility. This training would address the technical requirements of serving in this capacity and distinguish the respective roles of COTRs and contracting officers. This policy should be enforced, and course material should be uniformly developed for program officials in all Agency Directorates. After training, personnel should be formally certified to serve as COTRs.

RECOMMENDATION #29:

The Procurement Executive should revise the Agency's present policy regarding acquisition planning and then enforce any new directives throughout the Agency. Acquisition plans for contracts to be reviewed by the ACRB should be submitted to the Board for their concurrence.

RECOMMENDATIONS

RECOMMENDATION #30:

The Agency should establish reasonable goals for increasing competition and appoint one or more high-level, technical persons to implement them and measure their success in meeting these goals.

RECOMMENDATION #31:

Success in achieving competition goals should be factored into the Performance Evaluation Reviews (PARs) of contracting personnel and program personnel.

RECOMMENDATION #32:

A minimum of one contract support assistant should be assigned to each contracting team. These individuals should receive training in contract administration prior to or shortly after assignment.

RECOMMENDATION #33:

The Procurement Executive should take steps to reduce the use of letter contracts, particularly in OD&E. One possible course of action would be to designate a specific individual responsible for approval of all letter contracts.

RECOMMENDATION #34:

The Agency should consider steps to increase the audit support provided to the contracting function. Such steps might include: increasing the total number of CSAD auditors; assigning a liaison auditor to each contracting team; dedicating an Agency audit staff to OD&E.

RECOMMENDATION #35:

The Agency should consider revising the policy for legal review to raise the dollar threshold in order to reduce workloads and provide a more thorough review of exceptions.

RECOMMENDATION #36:

We recommend that the legal staff be requested to provide contracting personnel with more definitive guidance as to which public laws fully apply to Agency procurement activities, which laws should be considered as a general expression of Congressional policy but do not specifically apply to Agency procurement, and which laws have no application whatsoever.

RECOMMENDATION #37:

The Agency should consider enhancing its proposal evaluation capability by the addition of some expert pricing support.

In-house personnel are preferable but outside contractor support has been used effectively by some teams and could be used more broadly.

RECOMMENDATION #38:

The Agency should consider revising its Business Justification and Routing Sheet (Form 1218) to provide a more thorough summary of major contractual milestones, decisions and justifications.

RECOMMENDATION #39:

The Agency should develop a standard format for assembling contract files. It should establish minimum recordkeeping requirements which should be consistently applied across the Agency.